In view of the alternative established modes of exports available, no loss of foreign exchange can be identified.

Tax on employees on foreign Companies in India

1963. SHRI RAJNI RANJAN SAHU: Will the Minister of FINANCE be pleased to state:

(a) whether a recent circular issued by CBDT directing overseas payments by foreign companies to their employees working in India to be taxed in India, has caused much flutter; and

(b) if so, what are the details of the circular, and what is the response of the foreign companies thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) The Central Board of Direct Taxes have issued a circular, No. 685, dated 20th June, 1994, regarding defaults committed by employers, including foreign companies, in the matter of deduction of tax at source from salaries/allowances piad abroad, and, perquisites provided abroad, to their employees for services rendered in India. As all such payments/perquisites are taxable in India, the CBDT, through the said circular, gave a chance to all such employers, including foreign companies, to pay the due amount of tax, alongwith interest leviable thereon, by the 31st of July, 1994 in which case no penalties or prosecution would be initiated against them. The Board are not aware of any flutter having been caused amongst the foreign companies due to the aforesaid Circular. On the other hand the Board's directive appears to have been taken, as it should, in the right spirit by the foreign companies, some of whom approached the Board for extension of the last date for payment, prescribed in the circular. This request has already been acceded to by the Board and the last date for making payment has been extended upto 31st August, 1994.

Reviewing of credit policy

1964. SHRI KRISHNA KUMAR BIRLA: Will the Minister of FINANCE be pleased to state:

(a) whether the Confederation of Indian Industry has criticised the Government for its recently announced credit policy:

(b) if so, the details of the credit policy issued on which the CII has pointed out discrepancies;

(c) whether Government propose to review its credit policy; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) The Confederation of Indian Industry (CII) has expressed the view that greater emphasis be placed on the industrial growth. CII has also stressed that while banks have been asked to fully meet the credit requirements of exports, agriculture, small scale industries and weaker sections, there is no mention of the credit requirements of medium and large industry. CII has also stated that it is necessary to bring down the interest rates to make Indian industry globally competitive.

(c) and (d) The monetary and credit policy is so framed as to meet the credit requirements of all the sectors of the economy including those of large and medium industry. The policy for the first half of 1994-95 ensures that adequate support is provided by the banking system for revival of output by adequate availability of credit. The credit policy is kept under continuous review by RBI. Credit Policy measures are introduced, relaxed or tightened by RBI from time to time as and when the situation so warrants.